

CHAPTER 2

REPORTS IDENTIFYING MOTOR-FUEL USE AND TAXATION

This chapter covers the reporting of State motor-fuel consumption and motor-fuel tax revenues. Form FHWA-551M, Monthly Motor-Fuel Consumption, provides for the monthly reporting of motor-fuel volume data. Form FHWA-556, State Motor-Fuel Tax Receipts and Initial Distribution by Collection Agencies, provides for the annual reporting of revenue data. The data reported on form FHWA-551M are widely considered to provide the most complete and accurate information on gasoline usage, and as such, are invaluable for a variety of analyses within the Department of Transportation and by other agencies. The data also provide the source for the report Monthly Motor Fuel Reported by States. Both forms FHWA-551M and FHWA-556 are used in compiling tables which are published in the annual Highway Statistics. These tables showing motor-fuel volume by tax status and by use and motor-fuel revenues are extensively used for highway planning and highway-user tax revenue projections.

This chapter contains the following parts: (1) introduction and background, (2) a discussion of the most common adjustments that the FHWA makes to the State motor-fuel data; (3) instructions for form FHWA-551M, including submission instructions, a discussion of the fuel type columns of the form, assessment data, International Fuel Tax Agreement (IFTA) data, line-by-line entries, and notes and technical information descriptions; and (3) instructions for form FHWA-556, which covers reporting of the revenue data related to motor fuel volumes.

Background

The volume data are used by FHWA to attribute Federal Highway Trust Fund receipts to the States, which in turn are used in the Federal-aid highway fund apportionment process. Highway motor fuel consumption data impact the distribution of Federal-aid highway program funds in the following program categories: Interstate Maintenance (IM), National Highway System (NHS), Surface Transportation Program (STP), and the 90.5 percent Minimum Guarantee.

The FHWA recognizes that the States' motor-fuel information systems, and, therefore, the data they are able to submit, are organized primarily for the purpose of administering State fuel-tax programs. Because of variations in individual State requirements, reported data are sometimes not comparable among the States. In

order to treat States equitably in motor fuel attributions, and include information from all States in the national summary tables published in Highway Statistics on a comparable basis, the FHWA often has to adjust parts of the States' submissions. The adjustment process fits the data to uniform categories so that national characteristics and trends can be analyzed and projected. Refer to page 1-4 for a general policy statement on FHWA adjustments to the data.

FHWA ADJUSTMENTS TO STATE DATA

Generally State motor-fuel taxes are levied on road users, and refunds of the taxes paid or exemptions to the tax are given for nonhighway use of motor fuel. However, not all States offer refunds or exemptions for all classes of nonhighway use, and not all available refunds are actually claimed. Thus, often the net volume of fuel taxed is not the same as the volume consumed on highways.

Consequently, it is necessary to make various adjustments to the tax-status information provided by the States to show fuel volume on a use basis when used for motor fuel attribution and published in Highway Statistics.

Federal Government highway gasoline use.—Most States exempt from taxation gasoline used by the Federal Government, including the military. Since the only Federal use of gasoline included in FHWA tables is highway civilian use, the FHWA estimates this category for most States based on information obtained from Federal agencies. State-reported Federal use in excess of the FHWA estimate is presumed to be either civilian nonhighway or military use and is eliminated from the Federal figure reported by the State as well as from the gross volume.

State and local government gasoline use.—Most States exempt from taxation gasoline used by State and local government entities or offer refunds of the tax paid, and many States are not able to provide a segregation between highway and nonhighway uses. In such cases, FHWA must estimate the segregation to arrive at a highway use figure for the State.

Off-highway and public use of special fuels (diesel and liquefied petroleum gases).—In order to include comparable data for all States in the national summary tables, the FHWA has chosen to show only private and commercial highway use of special fuels in its

consumption tables. (Transit use, regardless of the ownership of the transit system, is treated as private and commercial use.) Many States exempt from taxation all off-highway use and public use—use by Federal, State, and local government entities. This, coupled with the fact that the special fuel taxes in some States are imposed at the retail level, makes it impossible for some States to report off-highway and/or public use. FHWA deducts any identifiable nonhighway or public use of special fuels in the State-reported figures.

Gasohol.—While many States can differentiate gasohol from gasoline and report them as separate fuel types, few States recognize the same types of gasohol as does the Federal Government. For compatibility with Federal definitions, and to treat all States equitably, (including those that can not report gasohol separately) FHWA developed a model to estimate gasohol usage in all States. The model uses Internal Revenue Service gasohol tax collections by Federal gasohol type as control totals, allocating State-reported gasohol gallons to States that meet reliability criteria, estimates gasohol usage in the States where data does not meet reliability criteria, and leaves out of the calculation States with no gasohol usage. The results of the model are reported as gallons of gasohol by Federal type, and is used in the attribution of motor fuel tax receipts.

Gasoline loss allowances.—A majority of States allow the gasoline wholesaler and/or retailer a flat percentage allowance against the tax owed for losses in storage and handling or, in some cases, for both losses and the expense of tax collection. Analyses of data from States that allow only actual losses to be claimed have shown that actual losses seldom exceed one-half of 1 percent. Therefore, where a flat percentage loss allowance is involved, FHWA allows a maximum of 1 percent for such losses in its usage tables. Since retailers sell fuel at a tax-included price, FHWA considers that the loss volume in excess of 1 percent is actually taxed (even though the State does not receive the money) and used on the highways. Since the FHWA intent is to show the actual fuel volume on which tax is paid and that is used on the highways, appropriate adjustments are made in the State data. The State should report all gallons subject to its loss allowance; FHWA will make the adjustment described as part of its analysis.

INSTRUCTIONS FOR FORM FHWA-551M

Form FHWA-551M should be completed by the State agency that collects the motor-fuel tax. A copy of FHWA-551M should be sent directly from the agency preparing it to:

There is no need to revise reports in the event of late tax returns, to compensate for the lag in claims for refunds,

Office of Highway Policy Information (HPPI-10)
Federal Highway Administration
Washington, D.C. 20590

Electronic transmittal of the data is encouraged. See Appendix B for further information. Direct transmittal to the Washington Headquarters does not preclude review by the FHWA Division office.

Form FHWA-551M should be transmitted to the FHWA Washington Headquarters not later than 90 days after the close of the month for which data are being reported. Information that is not available on a monthly schedule should be included on the next monthly report submitted after it becomes available; its presence and the period covered by the amount(s) should be noted (e.g., "Gasoline and gasohol refunds shown in items 4.a. to h. on page 1 of this report cover the July 1 - September 30 period."). Similarly, the absence of such an item should be noted on the monthly reports where it is not available (e.g., "Gasoline and gasohol refunds are available quarterly only and will next be reported on the September report.").

Identifying Information

In the upper, right-hand corner of form FHWA-551M, there is space for the following entries:

State.—Enter the State name.

Year and month of sale or transfer.—Enter the calendar year and the month for which the data are reported in the blanks provided.

The month entered should be the month of sale or transfer of the fuel volume being reported, rather than the month that tax collections are received by the State or the month that the FHWA-551M is submitted to FHWA. For example: In a State with a wholesale gasoline tax, the tax on a wholesale transaction that takes place in January is remitted to the State in February; the fuel volume for this transaction should be reported on the *January* report. This is only a general rule.

or to report audit assessments. Such items should be included on the next monthly report.

Reporting Assessment Data

Assessments are taxes which the State determines, through audits or reviews of taxpayer returns, that the taxpayer owes and did not previously report and pay. This data is typically months or even years behind the date of sale or transfer, and therefore somewhat distorts periodic motor fuel reporting. However, its reporting, no matter how late, is important. The following paragraph discuss how to report assessment data

The fuel volume represented by assessments or late returns should be reported for the month in which payment is received, or on the first FHWA-551M submitted following the month in which this information becomes available. The volume reported for assessments should be included in item 1., Gross Volume Reported, and described in a note on page 2. Gallons from audit assessments should be reported in the month collected, since it is unrealistic to adjust reports that may be many months or years old. Actual collections are reported to assure that sometimes lengthy appeal procedures have been exhausted and the assessment is ultimately sustained before being included in the gallons reported.

Assessments that cannot be collected should **not** be included; however, gallons represented by these assessments can be reported, with a note describing them as gallons consumed (but no revenue was collected) on the highways in the State.

Units.—Check the appropriate box to indicate the units of measurement—gallons or liters—used in the report. To prevent errors, FHWA recommends that form FHWA-551M be reported in the same units in which the fuel-tax records are kept.

Instructions for Entering Fuel-Type Data in the Columns of Form FHWA-551M

Fuel type.—Columns (1) through (4) provide for reporting volume by fuel type. The following definitions are used for fuels to be reported in columns (1) and (2). If the State's definition of a fuel differs from the corresponding definition in this section, provide the volume data for the fuel on page 1 of the form and record the State's definition of the fuel in a note on page 2. This should be done once a year (on the January report) unless the definition changes. Both motor gasoline and aviation gasoline as defined below should be reported in column (1). Include in "Notes and Comments" (page 2) information on alternative fuel use (other than those covered below), in whatever quantity available. To the extent possible, use Federal definitions of fuel types. Where decal fees are used in lieu of per gallon taxes,

estimate the gallons by showing the computation using the decal fee formula (annual amounts can be reported in the month collected).

Motor Gasoline: A complex mixture of relatively volatile hydrocarbons with or without small quantities of additives, which have been blended to form a fuel suitable for use in spark-ignition engines. (10 CFR, 211-225, Appendix A)

Aviation Gasoline: Aviation gasoline includes only gasoline used in airplanes with internal combustion, piston engines (not jets or turboprops). A more technical definition is: petroleum-based fuel designed for use in aircraft internal combustion engines and complying with MIL-G-5572 specification (or ASTM specification D-91-79). Note: Jet fuel should not be included. FHWA will supply aviation gas use if not reported.

Neat alcohol: Any liquid at least 85 percent of which consists of methanol, ethanol, or other alcohol produced from a substance other than petroleum or natural gas. Neat alcohol should be included with gasoline in column (1) and quantities, if known, should be shown in a note on page 2 of the form.

Gasohol: A blend of motor gasoline with alcohol in which 5.7 percent or more of the product is alcohol. The term alcohol includes methanol and ethanol but does not include alcohol produced from petroleum, natural gas, or coal, nor does it include alcohol with a proof of less than 190. Fuels meeting these criteria should be entered in column (2) and the volume entered should include both the gasoline and alcohol components of the fuel. Amounts reported in column (2) should be excluded from column (1). All other gasoline-alcohol blends where alcohol is less than 5.7 percent of the finished volume should be included with gasoline in column (1).

Federal law defines three different types of gasohol: (1) *5.7 percent gasohol*, where the alcohol content is at least 5.7 percent but less than 7.7 percent; (2) *7.7 percent gasohol*, where the alcohol content is at least 7.7 percent but less than 10 percent; and (3) *10 percent gasohol*, where the alcohol content is at least 10 percent. A stratification of the gross volume reported in column (2) into these three types should be entered in item 3. on page 2 of the Form. Either actual volume or percentage shares may be reported.

Typically, current State fuel tax laws recognize only the 10 percent blend as gasohol, but a number of States provide for alcohol producer or blender credits for other blend ratios. Records of such credits may be a source of data for completing form FHWA-551M. The lower blend

ratios are sometimes used to meet the oxygenated fuel requirements for areas not meeting the National Ambient Air Quality Standards. The State implementation plan (SIP) for meeting air quality standards may be another source for gasohol information. Note that oxygenated gasoline made with ethers (MTBE or ETBE) is *not* gasohol and should be reported in column (1) as gasoline.

For any State where gasohol is sold, the amount should be identified in column (2), or marked “N/A” for data not available. And the quantities by percentage blend should be shown on page 2, or marked “N/A.” FHWA will estimate quantities of gasohol by percentage wherever N/A is noted.

Diesel fuel volume (private and commercial highway-use only) should be entered in column (3). Dyed diesel fuel should never be included in column (3) since dyed diesel fuel is not sold for highway use in highway vehicles.

Kerosene should be included in column (3) only if sold or blended for highway use in private, public transit, or commercial vehicles.

Liquefied petroleum gases (LPG), including butane, propane, and liquefied compressed gas, should be entered in column (4) if information is available on its private and commercial highway-use.

Note: Several lines in columns (3) and (4) are shaded. For States that tax diesel and LPG at the retail sale level, i.e., when they are placed in the tank of a highway vehicle, items such as losses and refunds are generally not applicable. Those States that tax diesel and LPG at the wholesale level and for which losses and refunds are applicable, should subtract from the gross amounts actual losses and refunds for off-highway use and enter the resulting number in item 1, Gross Volume Reported. If the State prefers, it may show the actual gross volume along with exempted and refunded fuel volumes and provide the detail necessary for FHWA to deduct losses as well as nonhighway and public use.

Column (5) is the total of columns (1) through (4).

International Fuel Tax Agreement (IFTA)

Considerations.—Interstate motor-carrier fuel use is treated differently from other fuel categories. The intent is to tax major interstate fuel users (typically motor carriers), on the basis of the quantity of fuel used within the State rather than on the basis of fuel purchased in the State. All fuel volume taxed on a use basis should be reported as IFTA usage. While most of the motor fuel is diesel, gasoline and special fuels are reported. In some States, motor carriers report to a State agency other than the fuel-tax agency; therefore, it may be necessary for the agency responsible for completing form FHWA-551M to

obtain this information from another source. All States and Canadian Provinces except Alaska, Hawaii, and Oregon use IFTA provisions for taxing motor fuel used by interstate motor carriers. (There is little or no interstate motor-carrier travel in Alaska, none in Hawaii, and Oregon imposes a weight-distance tax in lieu of a fuel-volume tax on vehicles regulated by the Public Utility Commissioner.)

Motor Carriers file IFTA reports quarterly. The IFTA returns, compiled by one of several IFTA processing centers (or by the State itself) are submitted to other States in the second month after the quarter ends. Each IFTA member receives a quarterly report from every other member which includes the net taxable gallons (positive or negative) accumulated from all the base-State carrier returns for that period. The sum of these net adjustments is the amount to be added or subtracted from the motor fuel gallons reported. Gallons of motor fuel are always tabulated on the State IFTA reports, and should be obtained from your State’s revenue department. If not, the gallons may be calculated by dividing the net dollars (less penalty and interest) by the tax rate of the State where the fuel was consumed. The quarterly net data should be included on the FHWA-551M monthly motor fuel report (in the month it becomes available) as an adjustment to the total gallons of special fuel used in a State

Line-by-line Instructions

Item 1. Gross Volume Reported.—Show as accurately as possible the total consumption of motor fuel within the State during the month. The data reported are needed by FHWA for the monthly motor-fuel analysis and are the starting point for the annual motor-fuel consumption, taxation, and attribution analyses.

The starting point for gross volume is the tax returns of sellers (position holders at fuel terminals, wholesalers, or retailers depending on the point of taxation in the State). Include the gross sales reported by these taxpayers, including fully taxed sales, exempt sales, volume subject to full or partial refund, and sales taxed at a reduced rate. **Include** gasoline volume subject to exemption due to actual loss or subject to shrinkage allowance. Aviation gasoline, but not jet fuel, should be included in the gross gasoline volume. **Exclude** export sales and dealer-to-dealer sales exempted to prevent duplication of tax payments. Also exclude sales of special fuels to government agencies, actual losses of special fuels, and nonhighway use of special fuels.

Next, the tax returns of users (generally IFTA returns) must be incorporated. The gross volume reported by the sellers should be adjusted to reflect net use in the State. To the gross sales volume as described above, net IFTA

gallons must be added. To determine the net IFTA position of a State, add the fuel volume transferred in from other States, then deduct the fuel volume transferred to other States. The net IFTA position may be positive or negative. Enter the combined gross sales volume and net IFTA calculation in item 1, Gross Volume Reported. To supplement the volume information, item 2 on page 2, Computation of Gross Volume Reported, should be completed. Note that the adjustment must reflect both motor fuel reported directly to the State and that reported through IFTA agreements.

Some States retain only revenue data from the tax returns of motor carriers and cannot use the method described above to adjust gross sales for fuel use. In such cases, compute the adjusted figure as follows: To the gross sales volume described above, add the revenue remitted with motor carrier tax returns divided by the tax rate. From the result subtract the refunds and credits issued to motor carriers divided by the tax rate. Enter the result in item 1. If using this method of adjustment, show the details in a note on page 2.

IFTA adjustments are required to be available at the end of the second month after the reporting quarter. This makes monthly reporting impossible for IFTA data. States should report the quarterly information on the monthly report for the second month after the reporting quarter, e.g., IFTA data for January through March should be reported on the May report. If obtaining IFTA figures will prevent timely data submissions, the figures should be provided on the next month's report.

See page 2-7 for a discussion of gallons of fuel sold for highway (non-tribal government) use on Native American reservations.

The gross volume reported in line 1 is the sum of the components to be listed in items 2. (fully tax exempt volumes), 4. (fully refunded volumes), and 5. (net volume taxed.) It is important to note that quantities that do not represent actual consumption should not be reported. A common example is a refund of an overpayment. This should not be shown as a fuel-volume transaction. It is a monetary transaction and the dollar amount should be reported on FHWA-556.

Item 2.a. Losses—flat percentage.—Show the volume on which shrinkage or loss allowances were calculated or claimed during the month. Some States make flat-percentage allowances for losses in handling. Others make allowances for actual losses (generally, not to exceed a certain percentage) such as losses through evaporation, destruction by fire, explosion, and so forth, or which permit a distributor to reconcile inventory.

As discussed on page 2-2, flat percentage loss allowances are capped at 1 percent for gasoline, even if a larger percentage is allowed by the State. For diesel fuel, all losses should be deducted from the gross reported on Line 1. Flat percentage losses for diesel are generally not applicable, but if allowed by the State, these losses should be excluded from gross gallons reported on Line 1. A description of the percentage allowance and number of gallons excluded should be included under “Notes and comments,” page 2.

A number of States provide allowances (discounts) for prompt payment of taxes due, or for expense incurred by the distributor in keeping records and collecting the tax. Such allowances are merely deductions from the gross amount of tax due the State and do not in any sense affect the motor-fuel consumption. For this reason, these deductions should not be entered as loss allowances in item 2.a. They should be considered deductions from the tax only, and the corresponding fuel volume should be included in the taxed volume reported in items 3. and 5. The amounts of allowances for expenses, prompt tax payments, and so forth are to be recorded as deductions from gross tax collections on form FHWA-556, item 1.a.(2).

In a few States, a percentage allowance is made in consideration of both losses in handling and expense of collection. Since losses in handling affect the distribution of motor fuel and allowances for expenses do not, it is necessary in the analysis of motor-fuel usage to divide the total allowance into two parts: one part representing the estimated losses in handling and any applicable actual losses, such as through evaporation, destruction by fire, explosion, and so forth; and the other part representing the estimated allowances for expenses.

Item 2.b. Losses—actual.—In many States, a distinction is made between losses in storage and handling and losses through evaporation, destruction by fire, explosion, and so forth, and generally any provable losses regardless of amount are tax exempt or eligible for refund. Where the information is available, the exempt portion should be reported here. Also, net gains or losses (i.e., volume expansion or shrinkage) resulting from temperature adjustments should be recorded here, with the appropriate sign (+ or -). Note: Expansion is a negative loss and shrinkage is a positive loss.

Items 2.c. to i. Other fully tax exempt.—Show only motor-fuel volume on which no tax was paid in the first instance. Amounts not representing motor fuel actually consumed in the State, such as export sales and fuel moving in interstate commerce, and amounts exempted to avoid duplication of tax payments should be excluded

from item 1. (Gross Volume,) and, therefore, also from item 2 (Fully Tax Exempt.) Motor-fuel tax refunds should not be reported in this item.

All amounts completely exempted from taxation, other than loss allowances and the types of exemptions stated above, should be listed in items 2.c. to i. In many States, Federal use is the only class of exemption reported. It should be entered in item 2.c. Other common classes of exemption include:

- ! State and local government use
- ! Nonhighway use by distributors
- ! Nonhighway use when sold in large quantities
- ! All nonhighway use
- ! Specific classes of nonhighway use, such as farm, industrial, railway, and aviation use

Note that government use is included for gasoline and excluded for diesel (except transit which is included in diesel). To the extent possible, when government exemption or refund categories are reported, separate “Federal” from “State/Local.” Native American tribal government should not be combined with “Federal” or “State/Local,” but should be reported on a separate line.

Gallons of fuel sold for highway (non-tribal government) use on Native American reservations should be included on the FHWA-551M, since these are highway use gallons taxed by the Federal Government and need to be included to make attributions of Highway Trust Fund (HTF) revenue to each State in which reservations are located. Gasoline and special fuel gallons sold on Native American reservations should be included in gross gallons. Tax-exempt gallons and tax-refunded gallons for tribal member use should be reported for all fuel types under Items 2 and 4 respectively. List separately as “Native American use” to distinguish these gallons from other exempt or refunded categories such as Federal Government use. Payments to Native American tribes under fuel tax collection or revenue sharing agreements, in lieu of motor fuel tax refunds, should be identified separately on the FHWA-556 under Item 8.

If there are sales on Native American reservations not reported to the State in any manner that can be quantified, add a note similar to the following in Notes and Comments, page 2: “Motor fuel sales on certain Native American reservations are not included.” Indicate the number of retail locations involved, if known.

The above categories should be entered in items 2.d. to i. Always identify refund and exemption categories as

highway use fuel or non-highway use fuel, and do not mix highway and non-highway uses in a miscellaneous category. The highway and non-highway gallons are treated differently in attributing State revenue to the Federal Highway Trust Fund. Some States do not maintain records in sufficient detail to provide a statement of the amounts of motor fuel exempted from taxation. In such cases, an estimate of the exemptions (particularly Federal use) could be provided, including a note on page 2 describing how the estimate is generated. Such a description is only needed the first time the estimate is reported.

When changes in tax law introduce a new exemption category, please provide a brief narrative description with the first report on which it appears. This information allows FHWA to interpret the data properly in its analyses. Once an exemption type has been assigned a line number, it should be retained there for all future submissions. Data, including line numbers, are entered directly from form FHWA-551M, and consistent coding makes it possible to track specific categories.

The total of items 2.a. to i. should be entered in item 2.j. (Total.)

Item 3. Gross volume taxed.—Show the gross fuel volume assessed for taxation. The amounts reported should equal the gross volume reported in item 1. minus the exempt volume reported in item 2.j.

Item 4. Fully refunded.—In theory, at least, this item should show for each month the volume of motor fuel sold or distributed on which refunds of the tax were subsequently granted. Such a listing would correlate with the data reported in items 1. (Gross Volume Reported) or 3. (Gross Volume Taxed,) which are based on the distributors' reports of the distribution and sales for the month. However, refunds are generally paid to the purchaser, and very few States maintain a record of refunds classified by month of fuel purchase.

In practice, most states report refunds and corresponding fuel volumes (obtained by dividing the amount of money by the refund tax rate) in the month in which refunds were paid. Some States also maintain and report a record of refunds certified in each month, as well as refunds paid. Either approach is acceptable for form FHWA-551M.

The following kinds of refund categories for all motor fuels are typical:

- ! Private and commercial vs. public (government) entity
- ! Within public use, Federal vs. State and local

! Highway vs. nonhighway

Within the private and commercial nonhighway gasoline category, the following classes are typical:

! Agriculture

! Aviation

! Industrial and commercial

! Construction

! Marine

These five categories are listed as items 4.a. to e. on FHWA-551M. Refund classifications that do not fall into these categories (e.g., transit, charitable institutions, etc.) should be entered on the blank lines provided, 4.f. through 4.s. When changes in tax law introduce a new refund category, please provide a brief narrative description with the first report on which it appears in Notes and Comments on page 2. This information allows FHWA to interpret the data properly in its analyses. Once an refund type has been assigned a line number, it should be retained for all future submissions. Data, including line numbers, are entered directly from form FHWA-551M, and consistent coding makes it possible to track specific categories.

Item 4.t. is the total of items 4.a. to 4.s.

Item 5. Net volume taxed.—Record in this section the fuel volume which was ultimately taxed, either at the maximum rate or a lower rate.

Item 5.a. At full rate.—Enter the volume taxed at the full prevailing highway-user tax rate after deducting full exemptions, full refunds, and the volume effectively taxed at less than the full rate (see below).

Items 5.b. to i. Taxed at initial lower rate, partially exempt, partially refunded—Enter the fuel volume on which the State ultimately retains some tax payments, but less than the highest rate for the particular fuel type. This includes classes taxed at an initially lower rate (aviation is common), those granted a partial exemption (such as transit), and those categories for which only part of the initial tax payment is refundable (e.g., 4 cents of 7 cents refunded for agricultural use equals an effective tax rate of 3 cents). Enter each category of use, or user granted special tax treatment, on a separate line. When changes in tax law introduce a new category, please provide a brief narrative description with the first report on which it appears in Notes and Comments on page 2. This

information allows FHWA to interpret the data properly in its analyses. Once a category has been assigned a line number, it should be retained for all future submissions. Data, including line numbers, are entered directly from form FHWA-551M, and consistent coding makes it possible to track specific categories.

Item 5.j. Total.—This item is the total of items 5.a. through i. and is also equal to item 3. less item 4.t.

Item 6. Source of data.—Enter the following: (a) the name of the agency preparing the report and, (b) the name of the person compiling the data.

Notes and Technical Information (page 2) Instructions

Identifying Information.—Complete the upper right-hand corner as on page 1.

Item 1. Rate of tax at end of month, in cents per gallon or liter.—Complete this item on the January report and whenever the fuel tax rates change. Give the basic rate(s) of motor-fuel tax as of the last day in the month in the blanks provided (1.a. to 1.j.). Please specify the volume unit (gallon or liter) associated with the tax rate. Fuel types or special tax rates not covered in the first eight blanks can be entered in 1.i. and 1.j. If the State has a fuel tax levied as a percentage of price, rather than on a cents-per-volume basis, enter the percentage in the blank(s) and briefly explain the application basis (e.g., "3 percent of wholesale gasoline price excluding Federal tax") in a note. Note the effective date of changes reported.

Item 2. Computation of gross volume reported (page 1.) item 1.—Enter the information used to adjust gross sales by wholesalers or retailers to reflect IFTA fuel consumption in the State. Specify the month or months covered by the IFTA fuel volume used to adjust the gross sales.

Item 3. Stratification of gasohol by blend ratio.—Indicate the stratification of the gasohol volume reported in item 1. on page 1 into the three categories shown. Enter actual or estimated volumes (gallons or liters) or percentage shares.

INSTRUCTIONS FOR FORM FHWA-556

Form FHWA-556 is designed to record the actual collections of the State motor-fuel tax during a calendar or State fiscal year and to record other receipts incidental to the administration of this tax. It also shows, by major items, the distribution of tax receipts. Form FHWA-556

serves as a measurement of the flow of funds from collecting agency to expending agency. Receipts should be segregated to show revenues derived from gasoline (including gasohol and neat alcohol) (page 1, column (A)) and from other motor fuels (page 1, column (B)) separately. Total receipts and refunds should reconcile closely to the fuel volume reported on FHWA-551M with proper allowance for lag between amounts due and paid. If they do not, a reconciliation should accompany FHWA-556.

Form FHWA-556 report should be compiled from records of the State motor-fuel tax collecting agency and other agencies responsible for the collection and distribution of the funds. However, if the only action taken by the collecting agency is to turn the receipts over to the State treasurer, who distributes the money to the agencies that expend it, then it is preferable that form FHWA-556 be prepared from records of the State treasurer, auditor, or comptroller, depending on which of these officers maintains the authoritative record of the distribution of the funds concerned.

Page 1 of the form provides for an accounting of the receipt and distribution of funds. Separate columns are provided to record column (A) gasoline, gasohol, and neat alcohol taxes, column (B) diesel and other special-fuel taxes, and column (C) other receipts. All entries should be rounded to whole dollars. Page 2 of the form contains space for entering the State name, the year, notes and comments, a reconciliation with form FHWA-551M if needed, and a reference to identify the source of the records. In the following instructions, all items are numbered to correspond to the appropriate items on form FHWA-556.

Item 1. Receipts for year.—Enter the total collections from motor-fuel taxes and other fees and taxes incidental to motor-fuel tax administration as described below:

Item 1.a. Volume tax collections.—Report the collections from fuel-volume taxes—taxes imposed per gallon or liter of fuel. There is usually a lag of 1 or 2 months between the use of the gasoline, as reported on form FHWA-551M, and the payment of the tax to the State. However, since the lag in any given year is very similar to the preceding year's pattern, collections should be reported in the year received.

Collections from the taxation of motor fuel used by interstate motor carriers, often referred to as motor-carrier road taxes or fuel use taxes, should be reported on form FHWA-556 and not on form FHWA-571. (Form FHWA-571, described in Chapter 5 of this Guide, is designed to record other taxes and fees on motor carriers that do not fall under the motor-fuel tax laws.)

Since motor fuel tax receipts, including IFTA revenues received from other States, are volume-tax receipts, they should be included with other volume-tax receipts in item 1.a.(1) or 1.a.(3), of columns (A) and (B) for gasoline and special fuels respectively. The amounts refunded or credited to interstate motor carriers, or IFTA receipts sent to other States, should be reported in item 1.a.(4) of columns (A) and (B) with other volume-tax refunds. Consequently, the net collections of motor-carrier road taxes, whether positive or negative, will be reflected in item 1.a.(5), net receipts. Please note on page 2 if IFTA revenues have been included in the items discussed in this paragraph.

In order for the FHWA to be able to reconcile the receipts reported on form FHWA-556 and the fuel volume reported on form FHWA-551M, the following information should be footnoted by fuel type on page 2 of form FHWA-556:

- ! Reported IFTA fuel tax receipts—the funds remitted with the fuel tax returns under IFTA.
- ! Refunds or credits of fuel tax under IFTA.
- ! Net IFTA fuel tax receipts (may be either positive or negative)

Item 1.a.(1) Gross collections by distributors.—Record the gross amount collected under the volume tax on motor fuel prior to deduction of allowances granted to distributors for collection expenses. Show total gasoline, neat alcohol, and gasohol tax receipts in column (A) and tax receipts from other motor fuels, including diesel, propane, butane, and other special fuels, in column (B).

Item 1.a.(2) Less: distributor allowance for collection expense.—Record the total amount of the cash allowances made during the year to distributors (or deducted by them) in consideration of prompt payment, the costs of collecting the tax and preparing reports, and so forth. Do not include loss allowances either here or in item 1.a.(1).

Item 1.a.(3) Gross receipts by State.—Record the gross amount actually received by the State from the volume tax during the year. In States that make no allowances for distributors' collection expenses, items 1.a.(1) and 1.a.(3) should be identical.

Item 1.a.(4) Less: refunds and credits.—Actual refunds and credits of the motor-fuel tax issued during the year should be entered here.

Item 1.a.(5) Net receipts.—Record the net receipts of the volume tax remaining for distribution after payment of refunds.

Item 1.b. All other receipts under motor-fuel tax laws.—Record the receipts from sources other than the volume tax. These receipts are collected as incidental to the administration of the motor-fuel tax laws or the inspection of motor fuel.

Item 1.b.(1) Distributor and dealer licenses.—Enter the amount collected from motor-fuel distributor licenses and from special dealer licenses, pump inspection fees, and other direct taxes or fees imposed on sellers of motor-fuel. Receipts from general retail licenses or chain store taxes, which are levied on all types of business, are not regarded as special taxes on motor fuel and should not be included on the report.

Item 1.b.(2) Motor-fuel inspection fees.—Show the amount of fees collected for the inspection of motor fuel. In some States, these fees are imposed merely to defray the cost of inspection; in others, they are a source of considerable revenue. It is desirable to exclude from the report, insofar as possible, all fees charged for the inspection of petroleum products other than motor fuels and also to exclude inspection fees paid on motor fuel used for nonhighway purposes, such as agriculture, aviation, and so forth.

If the receipts from inspection fees on petroleum products are not segregated according to products inspected or their use, the amount received from the inspection of motor fuel may be estimated on the basis of data reported on form FHWA-551M or form FHWA-556. The amount thus estimated should be entered in item 1.b.(2). If estimates are made as outlined above, the entry in item 1.b.(2) should be supported by a note or supplementary statement giving the total receipts from inspection fees and setting forth the computation by means of which the entry in item 1.b.(2) was estimated.

Item 1.b.(3) Fines, penalties, and interest.—Report the amount of fines and penalties collected in connection with the administration of the motor-fuel tax and inspection laws. Also include interest on delinquent collections.

Item 1.b.(4) Motor-carrier fuel tax registration (decals).—Report the income from the fuel tax registration decal fees required of motor carriers. States generally require motor carriers to display proof of fuel-tax registration in the form of a decal. Include the fees for decals issued under IFTA and any other base-State fuel tax agreement.

Items 1.b.(5) Alternative fuel tax decals (in lieu of volume tax).—Many States provide for the issuance of decals or other markers to vehicles that burn alternative

fuels, such as liquefied petroleum gases, liquefied natural gas, and compressed natural gas. The fees collected are in lieu of the collection of fuel tax on the fuel the vehicle consumes. Enter the income from such decals.

Items 1.b.(6)-(9).—Space is provided here for other receipts that do not fall under the first five classifications of item 1.b. The nature of any entries in these four lines should be described in the space provided or in notes on page 2 of the form. State sales tax applied to motor-fuel purchases should be reported in item B.4. on form FHWA-531. (See FHWA table S-106 in *Highway Taxes and Fees, How They Are Collected and Distributed* for examples and Chapter 8 of this Guide for instructions.)

Assessments are an example of receipts that may be reported in these lines. Assessments are taxes which the State determines, through audits or reviews of taxpayer returns, that the taxpayer owes and did not previously report and pay. Assessments should be reported for the year that payment was received, regardless of the year or years for which the assessments were made. If assessments are subsequently reduced or canceled, adjustments should be reported for the year in which the adjustments are made. The revenue represented by assessments should be reported on form FHWA-556, and identified a note on form FHWA-551M, page 2. Some States cannot separate assessments from other motor fuel receipts and therefore should report assessments in item 1.a.3., Gross Receipts by State.

Some States have imposed special environmental taxes for leaking underground storage tanks or spill cleanup. These should not be reported on form FHWA-556 unless (1) the imposition is exclusively on motor fuels or (2) the rate for motor fuels differs from that imposed for any other petroleum products (heating fuel, jet fuel, etc.).

Items 1.b.(10).—Enter the total of items 1.b.(1) through 1.b.(9).

Item 1.c. Net total receipts.—Record total receipts for the year for each column.

Item 2. Nonhighway dedications of volume tax from nonhighway gasoline.—Show the proceeds from the taxes on *nonhighway* uses of gasoline (only) that were dedicated for the improvement and/or operation of *nonhighway* facilities or for related activities. A typical example is the dedication of the receipts (known or estimated) from motorboat use of gasoline to construction and maintenance of boating facilities such as ramps and docks. Some States dedicate the revenue from aviation gasoline to an airport improvement fund. To be included in item 2., the funds must be *both* (1) from the taxation of

gasoline used for nonhighway purposes *and* (2) dedicated for nonhighway purposes.

Item 3. Adjusted total receipts.—Subtract item 2.e. from 1.c. and enter it here.

Item 4. Deductions by State collecting agency.—Record the amounts retained or deducted by the collecting agency prior to depositing the net collections in the State treasury or otherwise disposing of them. The amount deducted may represent either actual amounts expended, or a flat percentage of collections.

In some cases, the total collections are deposited to the credit of the State highway agency fund, and expenses of the collecting agency are paid or appropriated from the fund. In such cases, no entry need be made in item 4., and the entire distribution should be shown in item 8. Collection expenses paid by State highway agencies should be deducted on form FHWA-531, item B.1.b., rather than on this form.

If collecting agency expenses are funded by another revenue source not reported in item 1., then that revenue source should be identified in a note, along with the actual expenditures of the collecting agency.

Item 4.a. Expense of collecting and administering volume taxes.—Self-explanatory.

Item 4.b. Expense of inspecting motor fuel.—The cost of inspection may be interpreted to include the cost of administering the fuel inspection laws as well as the actual inspection and testing. In States where the cost of motor-fuel inspection is not kept separately from the cost of inspecting kerosene and other petroleum products, the cost may be prorated on the same basis as the receipts from inspection fees and only the motor fuel portion reported on the form. In States that grant refunds for nonhighway uses, it will be possible to compute, on a pro rata basis, the cost of inspecting motor fuel used for highway purposes. This reduced amount should be entered in item 4.b. When such computations are made, the details should be given in notes on the form or on an attached schedule.

Item 4.c.—Record other costs or deductions by the collecting agency, such as those in connection with the miscellaneous receipts in items 1.b.

Item 4.d. Total.—Add all the deductions recorded in item 4.

Item 5. Net proceeds available for distribution.—Record net receipts after deducting item 4.d. from item 1.c.

Item 6. Balance undistributed at end of previous year.—Any balances in the hands of the State collecting agency, or to its credit, at the beginning of the year should be recorded in item 6. If the amount differs from that reported as undistributed at the end of the previous year, a note should explain the adjustment. If form FHWA-556 is prepared from the records of the State treasurer, auditor, or comptroller, the balance may be the amount on hand in a revolving fund; in some cases, this fund balance may need to be combined with any amounts in the hands of the collecting agency to account for the total amount of undistributed funds.

Item 7. Total funds available for distribution.—Enter the sum of items 6. and 7.

Item 8. Amounts distributed.—The allocation of motor-fuel revenues to the expending agencies or funds should be shown in item 8. In general, the distribution should be consistent with the provisions of table MF-106 in *Highway Taxes and Fees, How They Are Collected and Distributed*, or current statutes where they differ from those in table MF-106. In the event motor-fuel revenues, together with other road-user taxes, are placed in an intermediate clearing fund, such as a highway-users tax distribution fund, a balanced statement of the clearing fund should accompany form FHWA-556.

In several States, net income from inspection fees is credited to the State general fund. The prorating of receipts from inspection fees to exclude receipts from petroleum products other than motor fuel and receipts from motor fuel used for nonhighway purposes should be carried through to the data on distribution of these revenues.

Items 8.a.-8.j.—Use these lines as necessary to record the distribution of motor-fuel tax revenues as provided under State law—for example, funds allocated to counties or cities for roads, county general funds, schools, State general funds, and the State highway agency or department of transportation. (These distributions appear in table MF-106.) Amounts reported should be consistent with comparable amounts reported on forms FHWA-531 and FHWA-536.

Item 8.k. Total.—Add all the amounts distributed in item 8.

Item 9. Balance undistributed at end of year.—Enter the amounts remaining after deducting item 8.k. from item 7.

MONTHLY MOTOR-FUEL CONSUMPTION						State Name	
						Year	
						Month of Sale or Transfer	
						Gallons Liters	
Item	Line No.	Gasoline (1)	Gasohol (2)	Private and Commercial Highway Diesel (3) Highway Liquefied Petroleum Gases (4)		Total (5)	
1. Gross Volume Reported	01	0	0	0	0	0	
2. Fully Tax Exempt	a. Losses-Flat %	21	0	0	0	0	
	b. Losses-Actual	22	0	0	0	0	
	c. Federal	23	0	0	0	0	
	d.	24	0	0	0	0	
	e.	25	0	0	0	0	
	f.	26	0	0	0	0	
	g.	27	0	0	0	0	
	h.	28	0	0	0	0	
	i.	29	0	0	0	0	
	j. Total (a. thru i.)	30	0	0	0	0	
3. Gross Volume Taxed (1.-2.j.)	40	0	0	0	0	0	
4. Fully Refunded	a. Agriculture	51	0	0	0	0	
	b. Aviation	52	0	0	0	0	
	c. Industrial/Commercial	53	0	0	0	0	
	d. Construction	54	0	0	0	0	
	e. Marine	55	0	0	0	0	
	f.	56	0	0	0	0	
	g.	57	0	0	0	0	
	h.	58	0	0	0	0	
	i.	59	0	0	0	0	
	j.	60	0	0	0	0	
	k.	61	0	0	0	0	
	l.	62	0	0	0	0	
	m.	63	0	0	0	0	
	n.	64	0	0	0	0	
	o.	65	0	0	0	0	
	p.	66	0	0	0	0	
	q.	67	0	0	0	0	
	r.	68	0	0	0	0	
	s.	69	0	0	0	0	
	t. Total (a. thru s.)	70	0	0	0	0	
5. Net Volume Taxed	a. At Full Rate	81	0	0	0	0	
	b. Aviation	82	0	0	0	0	
	c.	83	0	0	0	0	
	d.	84	0	0	0	0	
	e.	85	0	0	0	0	
	f.	86	0	0	0	0	
	g.	87	0	0	0	0	
	h.	88	0	0	0	0	
	i.	89	0	0	0	0	
	j. Total (a. thru i., 3.-4.t.)	90	0	0	0	0	
6. Source	a. Agency Preparing this Report						
	b. Compiled under Direction of						

NOTES AND TECHNICAL INFORMATION	State Name
	Year
	Month

1. Rate of tax at end of month, in cents per gallon or liter.
 (If tax is ad valorem, post percentage, and briefly explain basis below.)

	Rate (cents)	Effective Date
a. Gasoline	0	mm/dd/yy
b. Gasohol	0	mm/dd/yy
c. Diesel	0	mm/dd/yy
d. LPG	0	mm/dd/yy
e. CNG	0	mm/dd/yy
f. M85	0	mm/dd/yy
g. E85	0	mm/dd/yy
h. LNG	0	mm/dd/yy
i.	0	mm/dd/yy
j.	0	mm/dd/yy

2. Computation of gross volume reported (page 1, item 1.)

	Gasoline	Special Fuels
Gross sales from sellers' returns	0	0
Plus: IFTA fuel used in State (from users' returns)	0	0
Less: IFTA fuel purchased tax paid in State (from users' returns)	0	0
= Gross consumption in State (Enter on page 1, item 1.)	0	0

Interstate motor-carrier (fuel use tax) fuel volume shown above covers period:
 (Specify month or months covered)

3. Stratification of Gasohol by Blend Ratio

The gasohol volume shown on page 1, column (2) includes:
 (Show actual/estimated volume or percentage shares)

Percent Alcohol	Volume	Percentage Share
5.7-7.6%	0	0.0%
7.7-9.9%	0	0.0%
10 + %	0	0.0%

4. Notes and Comments

STATE MOTOR-FUEL TAX RECEIPTS AND INITIAL DISTRIBUTION BY COLLECTION AGENCIES				STATE NAME	
				YEAR ENDING	
ITEM		VOLUME TAXES		OTHER RECEIPTS	TOTAL
		GASOLINE	SPECIAL FUELS		
		(A)	(B)	(C)	(D)
1. Receipts for Year					
a.	(1) Gross collections by distributor				
Volume	(2) Less: distributor allowance for collection expense				
Tax	(3) Gross receipts by State (1) - (2)				
Collections	(4) Less: refunds and credits				
	(5) Net receipts (3) - (4)				
b.	(1) Distributor and dealer licenses				
All Other	(2) Motor-fuel inspection fees				
Receipts	(3) Fines, penalties, and interest				
Under Motor-	(4) Motor-carrier fuel tax registration (decals)				
Fuel Tax	(5) Alternative fuel tax decals (inlieu of volume tax)				
Laws	(6)				
	(7)				
	(8)				
	(9)				
	(10) Total (1) thru (9)				
c. Net Total Receipts a. + b.					
2. Nonhighway	a.				
Dedications of	b.				
Volume Tax	c.				
from Nonhighway	d.				
Gasoline	e. a. thru d.				
3. Adjusted Total Receipts 1 - 2					
4. Deductions	a. Expense of Collecting & Administering Volume Taxes				
by State	b. Expense of Inspecting Motor Fuel				
Collecting	c.				
Agency ¹	d. Total a. + b. + c.				
5. Net Proceeds Available for Distribution 3. - 4.					
6. Balance Undistributed at End of Previous Year					
7. Total Funds Available for Distribution 5. + 6.					
8. Amounts Distributed (Specify Fund or Purpose)					
a.					
b.					
c.					
d.					
e.					
f.					
g.					
h.					
i.					
j.					
k. Total a. thru j.					
9. Balance Undistributed at End of Year 7. - 8.					

¹ If collecting agency activities are funded by another revenue source, note this fact and provide the actual collection and administrative expenses in a footnote.